Professional Agricultural Workers Conference

"ENERGY, FOOD AND FIBER ALTERNATIVES:
OPPORTUNITIES FOR UNDERSERVED COMMUNITIES"
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Under Secretary for Rural Development
Keynote

Thank you, Dr. Payton [Dr. Benjamin Payton, President, Tuskegee University]. It is a distinct pleasure to be with you today.

I appreciate all of you taking the time to join us, and I'd like to extend a special greeting to all the USDA folks who are here. I know several USDA agencies are represented. From Rural Development, we have Beverly Helton [Assistant to the State Director] and Ed Lewis, who I know personally.

Are there any other Rural Development people here? If there are, please come up and introduce yourself at the break.

The partnership between USDA and the 1890's goes back many years. It is alive and strong today. I deeply appreciate the work the 1890's are

doing to increase economic opportunity and improve the quality of life in rural communities …

… And I applaud the vision and leadership the Professional Agricultural Workers have brought to that effort for more than six decades.

Ordinarily I look forward and not back, but I can't help but reflect that USDA Rural Development celebrated a 70th anniversary two years ago. Our 75th comes up in 2010. On this … the occasion of <u>your</u> 65th anniversary … I can't help but reflect that we have literally grown up together.

The world has changed and will continue to change … but I am confident our partnership will remain strong. It has to. We have work to do.

[PAUSE]

American agriculture is in transition. We are shifting from a food and fiber economy to a food, fiber, <u>and fuel</u> economy.

Farmers have always been in the energy business … we've been growing calories. But today, we're also growing BTU's … and calories and BTU's have become fungible.

This is an extraordinary opportunity. The theme of this conference is "Energy, Food, and Fiber Alternatives," and frankly, when you add in biobased products and the rise of the carbohydrate economy, our horizons have expanded exponentially in all of these areas.

Let me offer just one example that captures the scope of what is happening. All of us are familiar with the buildout of biofuels.

- **U.S. production of ethanol has tripled since the beginning of this decade. It is on pace to double again in the next two years.**

- **Biodiesel has increased from virtually zero in 2000 … 2 million gallons … to almost 380 million this year on the way to a projected 680 million by 2010.**

- **Cellulosic ethanol is moving into production. I was in Soperton, Georgia, a couple of weeks ago for the groundbreaking of the Range Fuels plant. This is the first of the commercial scale plants being built pursuant to the Department of Energy's new cellulosic research program.**

- **If the first generation plants can hit their price targets, we are at the beginning of something very, very big. With cellulosic ethanol, the U.S. has the biomass capacity to sustainably produce 30%, perhaps more, of our transportation fuels from existing biomass resources … and even more if we move to dedicated energy crops.**

- **This isn't just about corn and soybeans anymore … if you can grow trees, switchgrass, kudzu, or algae, you may very well be an energy producer a few years from now.**

So what's the bottom line? As an interim goal, the President this January set a target of a 35 billion gallon Alternative Fuels Standard by 2017. That translates into a new market for American producers fully half the size of today's net farm income.

Americans right now are sending more than a billion dollars a day abroad to pay for imported oil, much of it from countries that … I'll put it politely … are sometimes difficult to deal with.

If we can displace even ONE billion barrels of imported oil with biofuels (70-80 billion), that's a new market bigger than ALL of today's net farm income.

Again … this is an extraordinary potential. It certainly concentrates our attention at USDA. But it's not just a new market and money in the bank. It will be structurally transformational. The mainstreaming of renewable energy involves a range of adjustments … challenges as well as new opportunities … that will affect all of us … and often in ways that will place a premium on vision, agility, and entrepreneurial skill.

To put it bluntly, we are in the very early stages of a very big shift in the nation's resource base. This will take decades to unfold. But the train is leaving the station, and people will need to hustle to get aboard.

The work that many of you do in outreach, education, and business development is critically important … and the clock is ticking.

The question posed by this conference is a therefore good one … how do we turn all of this into opportunities for underserved communities?

Let me begin with the big picture. This isn't just about us. This is … as I'm sure Harry Baumes will tell you this afternoon, if he didn't already this morning … is a major emerging international story as well.

One of the curiosities of public debate is the way dominant interest groups and the mainstream media can frame and control discussions. We get a dominant narrative … one that may be perfectly honest as far as it goes … but one that simply leaves marginalized groups out of the equation. Out of sight, out of mind. I'm sure you can all supply examples.

The food vs. fuel debate is a classic case. To read the newspapers, you could easily get the impression that this issue is mostly a lobbying battle inside the Washington, D.C. beltway among the ethanol industry, corn farmers, and the cereal and cattle industries.

But remember that the typical farmer in the world today isn't someone like me farming 3,000 acres in Iowa with a $250,000 combine.

Don't misunderstand me … I'm a lifelong farmer from Marcus, Iowa, and I like big tractors as much as the next guy. I prefer John Deeres

myself. But I would never make the mistake of presuming that large-scale U.S. commercial farmers are typical, especially in the international context. We aren't even typical in the American context.

The typical farmer is someone in the Philippines or China up to his knees in a rice paddy … or a father of six in Mexico, Ghana, Nigeria, or India with a micro-plot of land and, if he's lucky, a donkey or an ox.

As many of you know, one of the big developmental mistakes made in the Third World half a century ago was the neglect of their agricultural sectors in favor of big, expensive, prestige projects in the cities. And sometimes it was even worse … essentially predation of their agricultural sectors to subsidize politically sensitive urban constituencies.

Partly as a result, still today the poorest of the world's poor are subsistence farmers in Third World countries. Chronically depressed commodities prices have traditionally been a subsidy issue in the U.S. and the EU. They can be a life-and-death issue in many other places.

They're also a critical development issues. I was in China a year ago. China still hasn't mechanized agriculture. The Chinese are trying to figure out how to keep another 600 million people from moving to the

cities. Being able to make a decent living farming is part of the answer. One needs to look beyond food vs. fuel discussions framed exclusively from the point of view of historically subsidized urban consumers.
In the American context, renewable energy … wind and solar as well as biofuels … is probably the greatest new opportunity for wealth creation in rural American in our lifetimes. And that's a great thing.

But internationally, where many more people are living on the land and closer to the economic margins, the stakes are even higher. I know that there are a number of people here today who work in international economic development, as well as some from other nations. Welcome.

I would suggest to you that among the biggest winners from the renewables revolution and the revaluing of agricultural commodities may be the subsistence farmers out of sight and out of mind in their rural villages around the world.

For those interested in the international dimension of this question, be sure to get onto your calendars WIREC 2008, next March 4-6. WIREC is the

Washington International Renewable Energy Conference. Our very own Harry Baumes heads up the agenda committee, so you know it will be good.

WIREC is three things. It's a Ministerial level intergovernmental meeting, following similar sessions in Beijing and Bonn in 2004 and 2005. We are expecting over 70 nations to participate this time around. But WIREC will also include a co-located trade show and business conference, which are open to any of you who wish to attend. Agriculture and Rural Development will be one of the major conference tracks.

I won't try to anticipate that discussion … you'll need to come to WIREC for that.

<u>But I do want to emphasize that translating the renewables revolution into opportunities for underserved communities is no longer an overlooked issue</u>. It is a matter of senior-level policy attention by dozens of governments around the world. The potential of renewable energy to drive rural development … both on and off the farm … is increasingly understood.

That's true internationally, and it's true here. Many of you are already involved with this … especially, given the historical footprint of your agencies and universities, with on-farm and food-related industries.

Just among the 1890's, for example, Virginia State is working to facilitate on-farm production and utilization of biofuels.

Researchers at North Carolina A&T are identifying potential feedstocks for ethanol production and working on improved conversion processes.

Still others have expressed interest in working … again, on feedstocks … or developing better cultivars, or identifying local applications, ensuring product quality, and developing new uses for byproducts.

The list goes on and on. But it's also important to look beyond the farms and the labs. An ethanol plant isn't just corn and chemical engineering. It's jobs in construction and maintenance. It's gathering and storage … trucking and railroads … banking and finance … insurance … job training … and IT.

It's more families in town, more kids in school, and more pizzas delivered on Saturday night. There are opportunities at every point in the value chain, and the spinoff effects touch everything in the community.

ALL of these things are opportunities for bringing new opportunities to rural communities. Whether a substantial share of these opportunities flow to historically underserved communities depends, in large part, on us.

My message today is simple. It's alright … in fact, it's almost unavoidable … that we tend to begin with the big picture … with the long-term growth of renewables as we begin to diversify away from oil … with the national security, energy security, and environmental benefits … and with the food vs. fuel debate. The big picture is important.

But translating this into tangible economic and social gains in the community is a retail business. We have to do it one business and one job at a time. Biofuels are great for the farmer with 500 or 1,500 acres and who is enjoying record commodities prices. They are great for the Ph.D's who file the patents or the engineers who design and build the plants.

But most folks don't have 1,500 or 500 or even 50 acres. Most of us aren't research scientists or engineers. How do we spread the opportunity?

This is where the entrepreneurs come in.

The guy who pours the concrete, wins the IT service contract, or owns the shop maintaining the trucks may make just as much money in the long run as the farmers. And there are a lot more jobs there than in farming.

The important thing is to recognize that <u>not one but several</u> new industries are building out in rural America. The required infrastructure is very large. And if our goal is spread the benefits to underserved communities, that is where much of the action will be.

60 million people live in rural America. 58 million of them don't farm. Our mission is to increase economic opportunity and improve the quality of life for all.

All of us in various ways are committed to that effort. I am, again, deeply appreciative of your hard work.

And if any of you have an itch to leave your office or classroom or lab … and strike out in an entrepreneurial direction … now may a good time to be alert for non-traditional opportunities. There are many of them out there. The world is changing. The profits will flow to those who anticipate and lead the change. I hope that includes some of you here. Thank you.